Remarks of Governor Haley Barbour
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I want to thank you very much. I guess it's probably for the best that he made that confession that while energy policy is something we work on a lot, it's not something we speak about a lot: at least by itself. So, some nice lady told me that she was really glad I was talking today and I told her I hope she felt that way when I finished.

I want to say, first, thank you to the Air Force for inviting me, to Secretary Anderson, and thank you to the men and women in uniform upon whom we rely to protect our country and our freedom. And, I see a lot of them here today from not just the Air Force, but from the other branches of service, and so I don't want to get started without saying thank you. I also want to say thank you to the Air Force for the two Air Force bases we have in Mississippi. (laughter) Amen...(laughter)…and I want one of those little C-17 coasters. Mississippi's Air National Guard was the first National Guard to receive eight C-17s which we have in our Air National Guard base in Jackson, Mississippi, and we're very proud of.

The idea about speaking about a subject that you usually don't speak about particularly to an august audience reminds me of when I first worked for the government.

My first government job was in 1970. As a pup I was the state director of the Census. Some of you may know that the Census is not only a census of population, but it's a census of housing, business, and agriculture. I got some great lessons doing that. I had seventeen hundred employees as a twenty year old; a twenty-two year old, I guess. And, I learned something about government and communications, and you will see why this came back to me.

I remember one Saturday afternoon we were sitting down at the Census office in Jackson, and we were flipping through these business Census forms. For the businesses, ninety-nine point ninety-nine percent fill out, well, back then, fill out a questionnaire one page long; I think it's fourteen questions. And, we came on this one -- this "mom-and-pop" operation up in Iuka, Mississippi, in the Northeast corner of the state, and you could tell that they were law-abiding good citizens because they struggled with this questionnaire. They got down to number eight, and the question was "Number of employees broken down by sex." Well, after thinking about that awhile, they answered, "None broken down by sex, but we do have two with a drinking problem." (laughter)

Sometimes in government communications, we don't always get the point across. If you don't leave here with anything else, I hope you will leave here with the recognition that for the next generation, energy and our economy and our national security are going to be totally intertwined. And we have a chance in America to be the world leader in the clean energy economy for the twenty-first century, and that the military has an especially

important role and concern of our succeeding and doing that, and hopefully as we go along here a little bit, I can get across to you about why that's the case.

Since I've been Governor of Mississippi, Mississippi has an energy policy. Mississippi's energy policy is: more energy. My view about life is that when you've got something that is a National Security issue, an economic issue; when you see this economic issue isn't just for the country because we import more than sixty percent of our petroleum; but it's about every family in Mississippi including the many, many, many who can't pay three dollars for gas, and it's going up from there; who can't pay their electric bills; and when summer comes, their cooling bills; as well as their heating bills during the winter; that this makes a big difference in people's lives and that energy is something we need to address in a very, very serious way.

Mississippi's energy policy is "more energy," because we come from a school that says if you want the price of something to go down, the best thing to do is get the supply to go up. That's just a plain fact of the matter, but we also know it's hard today. It is hard today to increase supply as fast as demand is increasing which we'll talk about in a little bit.

But we think this way in my state: Today we are very concerned about the price of energy and the harm it does to our families and to our economy, but we also think ten or fifteen years from now, industry, as they decide where to site new facilities, will not ask about energy, "How much does it cost?" They'll ask, "Can we get it?"

For those of you who look at this from a National Security standpoint, supply too, I would suggest, is a critically important thing which is not to derogate the need for conservation and efficiency. In some ways that's the low hanging proof that we can effectively expand our energy capacity by reducing consumption in some ways that are pretty easy. I'm glad to see that the Air Force is doing that.

I know, though, that while you reduce the amount of electricity you use in your facility, what we're working on here today, or what I think what you're working on here today is how do we do something about the supply of transportation fuels? How do we do something about the things that power our weapons systems; our airplanes and everything else? This is particularly difficult because in the world today, that's largely about petroleum. We have a pretty effective mix of the energy in our country and in our economy, but almost all of our motive transportation fuels are petroleum based. It's not only the case in our country. I suspect it's the case all over the world. The result of this is that we import more than sixty percent of our petroleum today. Some is from friendly countries like Canada and Mexico, Norway; some from not very friendly countries, countries that are anything but friendly. In fact, it's been said by some that the United States is financing both sides of the war on terror, that we're financing our own military, our own economy and that a lot of our petrol dollars find their way into the hands of radical Islamic terrorists and their supporters. So, from a National Security perspective, you've got to have sufficient supply but greatly reducing reliance on foreign oil is very important for many, many reasons. That is a big challenge.

I'm looking out, and here on the front row are some of our allies from the UK and from France. They may not realize like most of us do that America historically has been a country with abundant and cheap energy. And, we've had a cheap energy, abundant energy economy for the four hundred years since the Jamestown settlement was established.

Now, whether it was wood, and then coal, oil, and gas, nuclear, whatever, in prior history, our comparative advantage or one of our comparative advantages has been a plentiful supply of cheap energy. The automobile, suburban life, and cheap gas all go hand in hand and they all work big elements of why post-war America is what it is, what it became.

In fact, what became typical when I was growing up after World War II and in the decades since then couldn't have happened if we hadn't had cheap energy. I'm only sixty years old. I know that's a surprise to a lot you that I could be that old. Reeves showing up kind of hurt my argument about my age, but you know, sixty years old is not quite ancient, but I can remember when I was in law school buying premium gasoline for twenty-nine cents a gallon when there was a gas war up at Oxford, Mississippi, where I went to law school. I don't think you would have mistaken this action for Oxford, England. I thought I ought to make that disclaimer. I remember twenty-nine cent gas. I also remember in 1973, the first time it ever cost me ten dollars to fill up my tank. Back then when I was a law student, I had a 1969 Chrysler 300 with four hundred and forty cubic inch engine. It was about the size of an aircraft carrier. Those were interesting times. I also remember the first time I ever paid fifty dollars to fill up my tank with gasoline, and I can almost remember every ten-dollar increment between 1973 and this decade when it went from ten to fifty. The American economy in the years I was growing up and was a young lawyer and up until the '70s was an economy that low-cost energy made possible. It allowed automobile manufacturing to become the biggest industry in the world that drove our economy; not just autos but steel, glass, rubber, oil. All of those intertwined in the unique American economy. It's very different from what these gentlemen grew up with in Europe where motor fuel is very, very expensive from the get-go, as we say.

In 1973, that first oil shock, an Arab oil embargo, after the Yom Kippur War; in the ensuing thirty-five years, America's energy policy has not been very productive or effective with dealing with the obvious effects that came in 1973 and afterwards. I would suggest to you that one reason our energy policy hasn't been very effective is that most of the time, energy policy has been trumped by environmental policy. Then if you looked at so called energy legislation, almost always it's more about the environment than it is about energy. Rarely does good energy policy prevail. So what are the effects? No new refineries in Reeves' lifetime, anywhere in the United States; no new nuclear power plants in a generation; No drilling in Anwar or other places where prospects are obviously excellent. Power transmission is behind where it ought to be.

Now, we in the Deep South have been very glad to allow drilling in the Gulf, shallow and deep; Texas, Louisiana, Mississippi and Alabama. In fact today, the Gulf of

Mexico produces twenty-five percent of America's oil and gas while other coastal areas have made themselves off-limits to drilling even though the prospects are at least as good there as they are where America has in some people's opinions in the South, been sucking us dry for generations while they won't allow drilling even within a hundred miles of their coast.

So the percentage of oil imports is more than 60 percent, and oil reserves today are mostly owned by governments. I can remember in the not so distant past people complaining about the big oil companies manipulating prices for crude oil, when the fact of the matter today is that the vast majority of the reserves in the world, are owned by the governments, not by Exxon Mobil, Chevron. If you add the major complication that most of the world, or more of the world, is consuming more energy, you see the next digital part of this equation. For the last 15 years, the U.S. economy has been growing much faster than the economies of the other developed nations in the world. But the developing world, with its huge population and now fast growth led by China and India, are today large and growing consumers of petroleum. When I was in China 3 years ago, I was told their automobiles in China has doubled in the last two years. Try that on for size. The number of automobiles that doubled in two years... Think of that population, and think of where that consumption is going to go, and you understand a little bit about why it's so difficult for supply to keep up with demand.

If I'm right, in just the last few years oil production has gone from 81-82 million barrels a day, to 88-89 million barrels a day, just in this decade. And the fact of the matter is, all of that extra supply has been soaked up, absorbed by demand, keeping supplies tight and prices subject to small disruptions, political risks, and enormous speculation. It's a fair question whether the decline in the value of the dollar is the cause or the effect of the spike in oil prices to $100 per barrel in the last two years. I'm not going to try to contend with Ben Bernanke to answer that question, but I do think it's a very, very important question for our country's future as we see the decline in the value of the dollar and understand that through all of our lifetimes, the dollar has been where money has flown in scary times. And the question is, are we going to have a flight to the dollar, or are we seeing a flight from the dollar right now?

There's a lot going on with this energy business, and what remains to be seen what effect all the different things that are happening will have on transportation fuel supply and price. Our National Governors Conference was last weekend, and the subject was clean energy, and it was very enlightening with some great speakers. One of the interesting things was there was a real consensus among all the speakers, including very, very green speakers like Tom Friedman and **John Dohr?,** both of whom are quite concerned about climate change, that all sources of energy have to be in the American energy mix for the next generation. That includes nuclear, and of course it should, here's the source of energy that produces no greenhouse gas emissions. But the environmentalists in many places have fought nuclear power. It's interesting as I will mention before I finish, in my own state we've had a nuclear power plant at Grand Gulf in the southwestern part of the state since the 80s. The Entergy Corporation that owns the plant wants to build a new plant and have already their early site permit. The local

governments—Claiborne County and town of Port Gibson—have petitioned the state, asking that the new nuclear power plant be there, rather than "not in my backyard". Their attitude: "yes in my backyard" because we understand the benefits of having a nuclear power plant, because we've had one the last 20-something years. Still there's a lot of opposition to nuclear. The other thing I thought was very important, and consistent with what we're talking about today, is that even the very greenest of the speakers said that coal has to be part of America's energy mix in the years to come. Our enormous reserves —we're the Saudi Arabia coal—the issue is we have to learn to burn coal cleaner. We'll talk about that in a minute.

We need to be building new coal power—coal fire power—plants in America today. Coal produces about 50 percent of our electricity today, and nuclear about 20 percent. If you want to look for solar, you know you'll find it under the asterisks… (laugh). Oil, natural gas has been a big push going for the natural gas generation…for the last number of years, and it's had a terrible effect on our economy. Because natural gas is an important feeding stock in a lot of industries and we're burning it as a mortar fuel. We're taking it away from other places where it could be used.

These things are going on—and as I say, at a time when it's critical that we recognize that conservation and efficiency matter. Technologies like plug-in battery hybrid vehicles are a reality; they're not a dream. We are making some big movements, but don't kid yourself. For long after Haley Barbour is dead and gone, we're going to be generating electricity with coal, as well as nuclear. Which of course brings me to point where I need to congratulate the Air Force, on what the Air Force is doing on pushing the edge on transportation fuels and the use of our own natural resources, partially through efficiency but also through public-private partnerships, like one that's going to be built in my own state.

You're going to hear today from the CEO of Rentech. Rentech is a company that is building a $3.5 billion coal-to-liquids plant in Natchez, Miss. They will bring coal down the river—well, the CEO is going to speak to you on all their technologies—but the goal here is to produce motor fuels from coal. It's not like that's radical. The Germans did it in World War II; the South Africans have been doing it for many years. But the goal here is to not only do it, but do it in a way that it burns clean. It's a very powerful and important initiative for the Air Force and for the military, and I congratulate y'all on it Bill. It's only one of several energy projects we have in Mississippi, and I want to close by visiting with you about those, because I think it speaks to the fact there are many ways we work on the problem of energy security and reducing our reliance on foreign oil at a time when we are engaged in a War on Terror.

In Pascagoula, Miss., down on our Gulf Coast, construction has just begun on a $1 billion liquefied natural gas terminal. It's interesting to me how many states don't want to have LNG terminals on land. You may or may not know it, but there's an LNG terminal that's existed for decades in downtown Boston, Mass. We're very proud to have this terminal coming online. Chevron, which has its largest refinery in Pascagoula on our Gulf Coast… Chevron is in the midst of a $500 million capital expenditure that will

increase their output of reformulated gasoline by 10 percent, using the same amount of crude oil coming in…so with the same crude, 10 percent more gasoline. They have already announced that they soon will expand the facility in Pascagoula to 330,000 barrels of oil a day, to 550,000 barrels of oil today. It's interesting to watch as we have dealt with this, how the majors are willing to expand refineries but are unwilling to build new refineries, generally because the fear of regulatory risks. As a state that's tried to go out and attract new refineries from all the majors, we find that to be the case in every case, that they are willing to expand where they are, but are afraid to build new refineries.

The government, God bless them, is building a $4 billion—or plans to build—a $4 billion Strategic Petroleum Reserve facility in Richton, Miss., where we'll hollow out a big salt dome and store crude oil in case of emergencies. I mentioned that Entergy has already received its early site permit for a second nuclear power plant at Grand Gulf in Southwest Mississippi. Mississippi Power Company, owned by Southern Company in Atlanta, has announced a $1.8 billion IGCC clean coal power plant in Kemper County, northwest of Meridian. They'll generate coal from lignite. Lignite is a low-ranked, light colored coal, that back when I was growing up everybody thought if you had lignite on your property, it was a nuisance. But some smart guys out in Colorado figured out it'd burn clean, and today we generate electricity for TVA with lignite, and now we're going to go the next step to gasify that lignite and then burn that synthetic gasoline. This plant will have the capacity for sequestration, which we'll take about in a minute. This plant when it comes online should emit about the same level as a natural gas plant from the get-go with the capacity to improve the carbon capture going forward. Ergon, which is a small refinery in our state, is building an ethanol plant in Vicksburg, Miss., on the river. We have a biodiesel plant that is in operation in Greenville, further up the river. We have seven pipeline projects that are going up in my state, about $2.1 billion capital expenditure. Generally to move natural gas, west to east, out of Oklahoma, Texas, Louisiana, closer to the eastern markets. And finally we've got about $3.75 billion of projects to store gas in salt domes; it's an interesting thing.

And I'll close by making this one point where these come together. The Rentech project is helped tremendously, and the IGCC generation plant for Southern Company is helped by the same company, a company called Denbury Resources in Dallas. They've built about $200 million in pipelines in Mississippi for their business. Their business is, interestingly enough, is Jackson, Miss. sits on top of an ancient volcano, and one of the by-products of that is there is an enormous pocket of CO2. Denbury Resources mines and extracts the CO2, pumps it in pipelines to three different large old oil fields, and pumps the CO2 into the ground for very advanced tertiary recovery of oil in these old oil fields.

Mississippi last year had more oil production than the year before, and we'll have more oil production this year than last year. In fact, the Tinsley oil field, the first well was made on August 31, 1939, and the field had been continuously in production ever since. The estimate is the tertiary recovery will produce more oil in the future than has been produced at Tinsley in the last 69 years. There's the optimal way to sequester CO2.

If you can capture the CO2 from Rentech or the clean coal power plant, and then put it in the ground to produce oil, that is about as win-win situation as you can get. All of which is to remind us that clean energy can be a fabulous industry. America has the chance to lead the technologies. We've got most the technologies now, and what the Air Force is doing is going to be a big, big plus in helping us learn more to demonstrate what can be done, and then to create the public-private partnerships that allow these kinds of technologies to become commonplace and ultimate indispensable in our country's economy and our effort to become as close as we can to self-sufficient in terms of energy.

Thank y'all.